

VZCZCXRO5799
PP RUEHMA RUEHPA
DE RUEHDK #0506/01 0641623
ZNR UUUUU ZZH
P 051623Z MAR 07
FM AMEMBASSY DAKAR
TO RUEHC/SECSTATE WASHDC PRIORITY 7740
INFO RUEHZK/ECOWAS COLLECTIVE
RUEHBJ/AMEMBASSY BEIJING 0111
RUEHBR/AMEMBASSY BRASILIA 0229
RUEHLC/AMEMBASSY LIBREVILLE 0930
RUEHLI/AMEMBASSY LISBON 0780
RUEHLU/AMEMBASSY LUANDA 0405
RUEHTO/AMEMBASSY MAPUTO 0439

UNCLAS SECTION 01 OF 02 DAKAR 000506

SIPDIS

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STATE FOR AF/RSA - D. EPSTEIN, AF/W AND EAP/CM
ACCRA FOR USAID/WA
PARIS FOR POL - D'ELIA

E.O. 12958: N/A
TAGS: [ECON](#) [EFIN](#) [ENRG](#) [ETRD](#) [EAID](#) [PGOV](#) [PREL](#) [CH](#) [GB](#)
SUBJECT: GUINEA BISSAU: UPDATE FOR U.S./CHINA DIALOGUE ON
AFRICA

REF: STATE 024937

SUMMARY

11. (U) At a time when traditional Western donors are proceeding slowly with budgetary and program assistance to Guinea-Bissau, China is surging ahead with new trade and aid programs for the impoverished nation. The PRC is still focused on fishing but is also exploring agricultural assistance, hydro-electric projects and other public works projects. Chinese projects often fail to consider the local context. END SUMMARY.

BACKGROUND

12. (SBU) China,s influence in Guinea-Bissau is growing relative to that of other donors. European concerns about stability, fiscal responsibility, corruption, and drug trafficking are having an impact on their donations to the GOGB. Western assistance often comes with reporting and performance requirements that the GOGB has little capacity or in some cases, political will to meet. In contrast, Prime Minister Aristides Gomes has publicly praised China, noting that its assistance and trade packages come with no conditionalities.

TRADE

13. (U) For the most part, China is seeking access to Guinea-Bissau,s rich fishing waters. And agreement on Chinese access to Bissau-Guinean fishing waters yielded the GOGB about USD 8 million last year and is one of the government's principal sources of revenue. Chinese fishermen sell their catch almost exclusively to European markets.

14. (U) During a two-day visit to Guinea-Bissau in January, Chinese Foreign Minister Li Zhaoxing announced a package of trade incentives including duty-free access to Chinese markets. China will also assist Guinea-Bissau in strengthening agricultural production and exports. Initiatives include cooperation with Chinese technical experts using an "online information system."

15. (U) Guinea-Bissau,s biggest agricultural export is cashews and Zhaoxing announced USD 60 million in advance contracts to support the coming harvesting and marketing season. Another important product is rice, and Chinese

technicians are helping Bissau-Guinean producers improve quality and increase yields. The PRC Embassy in Bissau told Poloff that China has improved strains and rice cultivation techniques that it plans to share.

¶6. (SBU) The growing Chinese presence is starting to be felt in Guinea-Bissau. Most notably, two Chinese restaurants have opened in Bissau thus far in 2007. Previously there were no Chinese restaurants in the whole country. Low-cost Chinese imports are starting to trickle into the marketplace, offering more variety and lower costs to consumers, but in some cases, also lower quality than goods traditionally imported from Europe.

AID

¶7. (U) China promised USD one million in budgetary support at the donor,s round table conference in Geneva in November. Chinese assistance to Guinea-Bissau continues to grow, especially in public works projects. Zhaoxing promised USD 8 million for new government buildings and USD 5 million for a hydro-electric dam on the Geba River. In November 2006, the GOGB announced China was giving an aid package of USD 8.7 million for development assistance, including the construction of a military hospital and courthouse, collaboration on deep-sea fishing, and exploration of oil reserves. The Chinese Embassy in Bissau told Poloff that China also sends several doctors to Guinea-Bissau to work in hospitals and clinics around the country.

COMMENT

¶8. (SBU) As in Senegal, we would like to ensure that U.S.

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and Chinese initiatives are complementary where our interests converge. The PRC has been open about its activities in Guinea-Bissau. However, encouraging the Chinese to engage in projects that take better account of Guinea-Bissau's realities is key. While the new National Popular Assembly building is in use, the housing built for veterans sits empty four years after completion because most Bissau-Guineans have no history of or interest in living in multi-story apartment buildings. END COMMENT.

JACOBS